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21 August 1959

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Copy No. C 63

CENTRAL INTELLIGENCE BULLETIN



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DOCUMENT NO. 45
NO CHANGE IN CLASS.
 DECLASSIFIED
CLASS. CHANGED TO: IS S C
NEXT REVIEW DATE: 7010
AUTH: HR 702
DATE: 2/27/82 REVIEWER:

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State Dept. review completed

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Next 1 Page(s) In Document Exempt

25X1

Approved For Release 2002/09/04 : CIA-RDP79T00975A004600450001-1

CENTRAL INTELLIGENCE BULLETIN

21 August 1959

DAILY BRIEF

25X1

I. THE COMMUNIST BLOC

II. ASIA-AFRICA

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Laos: Aged King Sisavang Vong is reported dying. His successor would almost certainly be strongly pro-Western Crown Prince Savang, and the transition should have little impact on the political situation. If the King should linger, Savang will probably be named regent.

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Malaya: The more than two-thirds majority obtained by the ruling Alliance party in the general elections of 19 August assures the continuation of Malaya's pro-Western orientation and its moderate domestic policies. For the first time, however, the Alliance will face significant opposition in the legislature. The opposition parties, divided on other issues, are unanimous in criticizing the government's pro-Western foreign policy and the defense treaty with Britain, which they charge ties Malaya to SEATO.

25X1

i

25X1

Approved For Release 2002/09/04 : CIA-RDP79T00975A004600450001-1

UAR-Tapline: [Cairo has issued an ultimatum to the American-owned Trans Arabian Pipeline Company (Tapline) that the company must accede to Syrian demands for sharply increased revenues by 5 September or the UAR will unilaterally decree a tax equivalent to the Syrian demands. Although Tapline has been willing to increase payments substantially to the four Arab countries through which the pipeline passes, it considers the Syrian demand confiscatory. Even a shutdown of the pipeline, however, would not seriously affect the flow of Saudi oil to Western Europe.] 25X1
(Page 4) 25X1

Union of South Africa: Unrest in the province of Natal, whose port of Durban was the scene of African disorders in June, broke out in violence in several areas this week as a result of African opposition to the government's labor and agricultural laws. The American Embassy at Pretoria is concerned over the widening geographic scope of the outbreaks, but does not question the ability of the South African police to cope with the current situation. The government may increasingly be faced with African disorders in rural areas as well as in the urban centers of nationalist agitation. 25X1

III. THE WEST

Cyprus: [Clashes between British security forces and Cypriot leftists may result if Governor Foot carries out his announced intention of preventing the holding of a Communist party congress on Cyprus between 28 and 30 August. Agitation for legalizing the Communist party, which has a large popular following, has increased recently, and the announcement of the forthcoming congress was in open defiance of the 1955 order proscribing Communist activity. On the other hand, any reversal of Foot's stated intent could cause a violent reaction among right-wing extremists on Cyprus.] 25X1

21 Aug 59

DAILY BRIEF

ii

25X1

**IV. SIGNIFICANT INTELLIGENCE
REPORTS AND ESTIMATES**

(Available during the preceding week)

**Political Stability in the European Satellites and in the Over-
all Satellite Structure During the Next Few Years. NIE 12-59.**

25X1 *ND* Aug 59. [redacted]

21 Aug 59

DAILY BRIEF

iii

25X1

Next 2 Page(s) In Document Exempt

Malayan Ruling Party Sweeps National Elections

In the 19 August general elections, the ruling Alliance party of Malaya won 71 of the 104 seats in the new House of Representatives, which replaces the partially elected Legislative Council formed prior to Malayan independence. Of the principal opposition parties, the Pan Malayan Islamic Party (PMIP) won 13 seats, the Socialist Front 8, and the People's Progressive Party (PPP) 4. Two small parties and independent candidates won 5, while two seats remain in doubt and one will be contested again because of the last-minute disqualification of a candidate.

The sweeping victory is a personal triumph for Abdul Rahman, who resigned as prime minister in mid-April to devote full time to campaigning and to strengthening the Alliance organization. Rahman is expected to form a new cabinet on 21 August, the composition of which will probably place increased emphasis on economic development. Major changes in Malaya's pro-Western foreign and moderate domestic policies are unlikely.

The Alliance, which controlled 50 of the 52 elective seats in the previous legislature, will, for the first time, face significant opposition in the new House of Representatives. All non-government parties will be united in opposition to the government's foreign policy, especially the defense treaty with Britain which indirectly ties Malaya to SEATO. On internal policies, the opposition will be sharply divided between left-wing Chinese and right-wing Malay nationalists on racial issues.

The defeat of all but three of the 14 candidates who recently broke away from the Malayan Chinese Association (MCA), the Chinese component of the Alliance, is likely to dampen the dissidents' prospects of taking the MCA out of the Alliance or of forming an effective new party.

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UAR Issues Ultimatum to Tapline

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[Cairo has issued an ultimatum to the American-owned Trans Arabian Pipeline Company (Tapline) that if the company does not accede to the Syrian region's demands for sharply increased revenues by 5 September, the UAR will decree a tax equivalent to the Syrian demands. Although transit fees were firmly fixed in Tapline's concession agreements with Saudi Arabia, Jordan, Syria, and Lebanon, the company has been willing, for more than three years, to increase these payments substantially by applying a 50/50 profit-sharing formula. Thus far, the Arab countries have been unable to agree on how to determine Tapline's annual profit and how to divide the company's payments.]

[The UAR's demand on behalf of Syria may have been encouraged by the Iraq Petroleum Company's recent agreement with Lebanon which more than tripled Beirut's transit fees from IPC pipeline operations. Damascus receives about \$1,200,000 annually from Tapline but now demands \$5,000,000 to \$7,000,000 annually, retroactive to 1955. Tapline points out that if the three other Arab states copy Syria's demand, the company will "be put out of business."]

[Tapline's transit convention with Syria calls for arbitration of disputes. In this case, however, Cairo's action might cause the company to shut down the line. Saudi Arabia's Persian Gulf oil port of Ras Tanura, with a capacity of about 1,500,000 barrels a day, is now shipping only about 650,000 barrels and could readily handle the amount diverted by a pipeline closure. There is also a substantial surplus of tanker tonnage.]

[A shutdown of the line would involve substantial financial losses for Tapline, Saudi Arabia, Lebanon, and Jordan, but the UAR would profit substantially since the oil thus diverted would transit the Suez Canal. On the basis of present pipeline volume, Cairo would gain about \$17,000,000 annually in additional canal fees.]

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Rioting Spreads in South Africa

The week-long rioting in South Africa's coastal province of Natal continues to spread throughout the province. The American Embassy believes, however, that the police can prevent the situation from getting out of hand. The disorders, instigated by African women protesting the government's agricultural and labor policies, have caused only two African deaths but have resulted in hundreds of arrests.

Touched off by the relatively unimportant burning of a government hut by African women, the disorders have taken on more serious aspects--such as mass demonstrations against jails, the burning of a school, isolated sabotage of transport and communications lines, [and the threat of widespread arson against the sugar plantations and urban centers.]

[The disturbances are symptomatic of increasing rural lawlessness and African unrest since the beer-hall riots in June in the city of Durban. The police have found no evidence of subversion, but the apparent spontaneity of the demonstrations suggests that the government will increasingly face such disorders throughout the Union.]

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III. THE WEST

Prohibition of Communist Party Congress Leads to New Tension on Cyprus

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[Cypriot Governor Hugh Foot has warned Communist leaders on Cyprus that if they persist in their announced intention to hold an illegal party congress from 28 to 30 August he will enforce the law. Foot's statement follows a period of increasing Communist activity on Cyprus, climaxed by the recent announcement of the proposed congress.]

[The party--the Reform Party of the Working People (AKEL)--almost exclusively Greek Cypriot in composition, was proscribed in December 1955 at the height of the struggle between the Greek Cypriots and the British. AKEL, however, took little part in the struggle for "enosis" and thus earned the hatred of the Greek Cypriot nationalist extremists. Following conclusion of the agreements last February which provide for Cypriot independence by February 1960, the Communists began agitating for legalization of their party.]

[AKEL apparently has grown in strength while proscribed. A party official recently boasted that AKEL membership was over 7,000--largest in history. The party also directly controls the largest trade union on Cyprus and was able to attract 40,000 to 60,000 persons for a rally in Nicosia on 28 June.]

[The British, while hesitating to make a final decision on lifting the ban on AKEL, are being challenged by the open defiance of the law which the holding of a party congress would represent. If they enforce the provisions against AKEL and prevent the congress from convening, widespread demonstrations could result. Conversely, permission for holding the rally, which would mean a de facto legalization of AKEL, might cause a violent reaction among the extreme Greek Cypriot right-wing nationalists.]

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